State of Arizona Senate Forty-seventh Legislature First Regular Session 2005

CHAPTER 56

SENATE BILL 1255

AN ACT

AMENDING SECTIONS 33-808, 33-810 AND 33-812, ARIZONA REVISED STATUTES; RELATING TO DEEDS OF TRUST.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 33-808, Arizona Revised Statutes, is amended to read:

33-808. Notice of trustee's sale

- A. The trustee shall give written notice of the time and place of sale legally describing the trust property to be sold by each of the following methods:
- 1. Recording a notice in the office of the recorder of each county where the trust property is situated.
- 2. Giving notice as provided in section 33-809 to the extent applicable.
- 3. Posting a copy of the notice of sale, at least twenty days before the date of sale in some conspicuous place on the trust property to be sold, if posting can be accomplished without a breach of the peace. If access to the trust property is denied because a common entrance to the property is restricted by a limited access gate or similar impediment, the property shall be posted by posting notice at that gate or impediment. Notice shall also be posted at one of the places provided for posting public notices at any building that serves as a location of the superior court in the county where the trust property is to be sold. Posting is deemed completed on the date the trust property is posted. The posting of notice at the superior court location is deemed a ministerial act.
- 4. Publication of the notice of sale in a newspaper of general circulation in each county in which the trust property to be sold is situated. The notice of sale shall be published at least once a week for four consecutive weeks. The last date of publication shall not be less than ten days prior to the date of sale. Publication is deemed completed on the date of the first of the four publications of the notice of sale pursuant to this paragraph.
- B. The sale shall be held at the time and place designated in the notice of sale on a day other than a Saturday or legal holiday between 9:00 a.m. and 5:00 p.m. mountain standard time at a specified place on the trust property, at a specified place at any building that serves as a location of the superior court or at a specified place at a place of business of the trustee, in any county in which part of the trust property to be sold is situated.
 - C. The notice of sale shall contain:
- 1. The date, time and place of the sale. The date, time and place shall be set pursuant to section 33-807, subsection D. The date shall be no sooner than the ninety-first day after the date that the notice of sale was recorded.
- 2. The street address, if any, or identifiable location as well as the legal description of the trust property.

- 1 -

- 3. The county assessor's tax parcel number for the trust property or the tax parcel number of a larger parcel of which the trust property is a part.
- 4. The original principal balance as shown on the deed of trust. If the amount is not shown on the deed of trust, it shall be listed as "unspecified".
- 5. The names and addresses, as of the date the notice of sale is recorded, of the beneficiary and the trustee, the name and address of the original trustor as stated in the deed of trust, the signature of the trustee and the basis for the trustee's qualification pursuant to section 33-803, subsection A, including an express statement of the paragraph under subsection A on which the qualification is based. The address of the beneficiary shall not be in care of the trustee.
 - 6. The telephone number of the trustee.
- 7. THE NAME OF THE STATE OR FEDERAL LICENSING OR REGULATORY BODY OR CONTROLLING AGENCY OF THE TRUSTEE AS PRESCRIBED BY SECTION 33-803, SUBSECTION A.
- D. The notice of sale shall be sufficient if made in substantially the following form:

Notice of Trustee's Sale
The following legally described trust property will be
sold, pursuant to the power of sale under that certain trust
deed recorded in docket or book at page
records of county, Arizona, at public
auction to the highest bidder at (specific place of sale as
permitted by law), incounty, in
or near, Arizona, on, at
o'clockm. of said day:
(street address, if any, or identifiable
location of trust property)
(legal description of trust property)
Tax parcel number
Original principal balance \$
Name and address of beneficiary
Name and address of original trustor
Name, address and telephone number of trustee
Signature of trustee
Manner of trustee qualification
Name of trustee's rogulator

- 2 -

2

3

4

5

6

7

8

9

10

11

12

13

14

15 16

17

18

19

20

21

22

23 24

25

26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

Dated this _____ day of _____, ___. (Acknowledgement)

E. Any error or omission in the information required by subsection C or D of this section, other than an error in the legal description of the trust property or an error in the date, time or place of sale, shall not invalidate a trustee's sale. Any error in the legal description of the trust property shall not invalidate a trustee's sale if considered as a whole the information provided is sufficient to identify the trust property being sold. If there is an error or omission in the legal description so that the trust property cannot be identified, or if there is an error in the date, time or place of sale, the trustee shall record a cancellation of notice of sale. The trustee or any person furnishing information to the trustee shall not be subject to liability for any error or omission in the information required by subsection C of this section except for the wilful and intentional failure to provide such information. This subsection does not apply to claims made by an insured under any policy of title insurance.

F. The notice of trustee sale may not be rerecorded for any reason. This subsection does not prohibit the recording of a new or subsequent notice of sale regarding the same property.

Sec. 2. Section 33-810, Arizona Revised Statutes, is amended to read: 33-810. Sale by public auction: postponement of sale

A. On the date and at the time and place designated in the notice of sale, the trustee shall offer to sell the trust property at public auction for cash to the highest bidder. The trustee may schedule more than one sale for the same date, time and place. The attorney or agent for the trustee may conduct the sale and act at such sale as the auctioneer for the trustee. Any person, including the trustee or beneficiary, may bid at the sale. Only the beneficiary may make a credit bid in lieu of cash at sale. The trustee shall require every bidder except the beneficiary to provide a one TEN thousand dollar deposit in cash or in any other form that is satisfactory to the trustee as a condition of entering a bid. The trustee shall not refuse cash as a form of payment of the bidder's deposit. The trustee or auctioneer may control the means and manner of the auction. Every bid shall be deemed an irrevocable offer until the sale is completed, except that a subsequent bid by the same bidder for a higher amount shall cancel that bidder's lower bid. To determine the highest price bid, the trustor or beneficiary present at the sale may recommend the manner in which the known lots, parcels or divisions of the trust property described in the notice of sale be sold. The trustee shall conditionally sell the trust property under each recommendation, and. in addition, shall conditionally sell the trust property as a whole. trustee shall determine which conditional sale or sales result in the highest total price bid for all of the trust property. The trustee shall return deposits to all but the bidder or bidders whose bid or bids result in the highest bid price. The sale shall be completed on payment by the purchaser of the price bid in a form satisfactory to the trustee. The subsequent

- 3 -

execution, delivery and recordation of the trustee's deed as prescribed by section 33-811 are ministerial acts. If the trustee's deed is recorded in the county in which the trust property is located within fifteen business days after the date of the sale, the trustee's sale is deemed perfected at the appointed date and time of the trustee's sale. IF THE HIGHEST PRICE BID AT A COMPLETED SALE IS LESS THAN THE AMOUNT OF THAT BIDDER'S DEPOSIT, THE AMOUNT OF THE DEPOSIT IN EXCESS OF THE BID PRICE SHALL BE REFUNDED BY THE TRUSTEE AT THE TIME OF DELIVERY OF THE TRUSTEE'S DEED.

- B. The person conducting the sale may postpone or continue the sale from time to time or change the place of the sale to any other location authorized pursuant to this chapter by giving notice of the new date, time and place by public declaration at the time and place last appointed for the sale. Any new sale date shall be a fixed date within ninety calendar days of the date of the declaration. After a sale has been postponed or continued, the trustee, on request, shall make available the date and time of the next scheduled sale and, if the location of the sale has been changed, the new location of the sale until the sale has been conducted or canceled and providing this information shall be without obligation or liability for the accuracy or completeness of the information. No other notice of the postponed, continued or relocated sale is required except as provided in subsection C of this section.
- C. A sale shall not be complete if the sale as held is contrary to or in violation of any federal statute in effect because of an unknown or undisclosed bankruptcy. A sale so held shall be deemed to be continued to a date, time and place announced by the trustee at the sale and shall comply with subsection B of this section or, if not announced, shall be continued to the same place and at the same time twenty-eight days later, unless the twenty-eighth day falls on a Saturday or legal holiday, in which event it shall be continued to the first business day thereafter. In the event a sale is continued because of an unknown or undisclosed bankruptcy, the trustee shall notify by registered or certified mail, with postage prepaid, all bidders who provide their names, addresses and telephone numbers in writing to the party conducting the sale of the continuation of the sale.
- D. A sale is postponed by operation of law to the next business day at the same scheduled time and place if an act of force majeure prevents access to the sale location for the conduct of the sale.
 - Sec. 3. Section 33-812, Arizona Revised Statutes, is amended to read: 33-812. <u>Disposition of proceeds of sale</u>
- A. The trustee shall apply the proceeds of the trustee's sale in the following order of priority:
- 1. To the costs and expenses of exercising the power of sale and the sale, including the payment of the trustee's fees and reasonable attorney fees actually incurred.
- 2. To the payment of the contract or contracts secured by the trust \mbox{deed} .

- 3. To the payment of all other obligations provided in or secured by the trust deed and actually paid by the beneficiary before the trustee's sale.
- TO ANY CONDOMINIUM ASSOCIATION OR PLANNED COMMUNITY ASSOCIATION AS DEFINED IN CHAPTERS 9 OR 10 OF THIS TITLE WHO HAD A SUBORDINATE LIEN AS PROVIDED BY LAW, EVEN IF THE TRUSTEE INTENDS TO DEPOSIT THE BALANCE PURSUANT TO SUBSECTION C OF THIS SECTION. THE TRUSTEE MAY PAY AN ASSOCIATION'S LIEN ON RECEIPT OF A WRITTEN CLAIM AND SHALL BE DISCHARGED FROM ANY LIABILITY FOR ANY PAYMENT MADE IN GOOD FAITH. THE TRUSTEE MAY INQUIRE AS TO THE EXISTENCE OF A LIEN IF THERE IS A RECORDED DECLARATION ON THE PROPERTY WITHOUT REGARD TO WHETHER A LIEN HAS BEEN RECORDED. ANY PERSON WHO IS AN APPLICANT OR RESPONDENT PURSUANT TO SUBSECTION G OF THIS SECTION MAY REQUIRE THE CONDOMINIUM OR PLANNED COMMUNITY ASSOCIATION TO PROVE ITS ENTITLEMENT TO ANY FUNDS RECEIVED FROM THE TRUSTEE. AN ASSOCIATION THAT DEMONSTRATES THAT THE AMOUNT IT RECEIVED FROM THE TRUSTEE WAS PROPER IN ALL MATERIAL RESPECTS IS ENTITLED TO AN AWARD OF ITS REASONABLE ATTORNEY FEES AND COURT COSTS AGAINST THE APPLICANT OR RESPONDENT WHO CONTESTED THE PAYMENT. IF THE APPLICANT OR RESPONDENT AGAINST WHOM THE ASSOCIATION'S AWARD IS ENTERED IS ENTITLED TO EXCESS PROCEEDS OF THE SALE, THE AWARD OF ATTORNEY FEES AND COSTS SHALL BE PAYABLE FROM THOSE EXCESS PROCEEDS.
- 4. 5. To the junior lienholders or encumbrancers in order of their priority as they existed at the time of the sale. After payment in full OF ALL SUMS DUE to all junior lienholders and encumbrancers AS OF THE DATE OF THE SALE AND EXCLUDING ANY POSTSALE ATTORNEY FEES, payment shall be made to the trustor, except that if the trustor has sold or transferred the property to another owner before the trustee's sale, payment shall be made to the person who is the owner of record at the time of the trustee's sale.
- B. AFTER APPLICATION OF THE PROCEEDS PURSUANT TO SUBSECTION A, PARAGRAPHS 1, 2 AND 3 OF THIS SECTION, IF THERE ARE ADDITIONAL PROCEEDS TO BE DISTRIBUTED, THE TRUSTEE, WITHIN FIFTEEN DAYS OF THE COMPLETION OF THE TRUSTEE'S SALE, SHALL MAIL BY FIRST CLASS MAIL AND BY CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID, A NOTICE OF ANY EXCESS PROCEEDS TO THE TRUSTOR AS OF THE DATE OF THE RECORDING OF THE NOTICE OF SALE. THE TRUSTEE MAY DEDUCT THE COSTS OF MAILING THE NOTICE OF EXCESS PROCEEDS FROM THE ADDITIONAL PROCEEDS.
- 8. C. In the trustee's discretion and instead of any one or more of the applications specified in subsection A of this section, the trustee may elect to deposit the balance of the proceeds with the county treasurer in the county in which the sale took place pending an order of the superior court in the county. On deposit of the balance of the monies and after complying with subsection 6. D of this section, the trustee shall be discharged from all responsibility for acts performed in good faith according to this chapter. The county treasurer shall reject any deposit that does not comply with subsection 6. D of this section.

- 5 -

- c. D. If the trustee elects to deposit the balance of the sale proceeds as prescribed by subsection B— C of this section, the trustee as plaintiff shall commence a civil action in the superior court in the county in which the sale occurred. The action shall name the applicable county treasurer as the defendant, but the county treasurer has no obligation to respond to the complaint or appear in the action. The trustee shall mail by certified or registered mail, with postage prepaid, a conformed copy of the complaint that displays the filing stamp of the court clerk to the county treasurer and all persons, other than the beneficiary, who are entitled to notice pursuant to section 33-809 and to any other person known by the trustee to have an interest of record in the property at the time of the sale. The trustee shall incorporate in or attach to the complaint:
 - 1. A copy of any one of the following:
- (a) The trustee sale guarantee AND ALL AMENDMENTS OR ENDORSEMENTS OBTAINED BY THE TRUSTEE.
- (b) The title search used by the trustee in connection with the trustee's sale of the subject property AND ALL AMENDMENTS OR ENDORSEMENTS OBTAINED BY THE TRUSTEE.
- (c) A detailed description of the liens and encumbrances used by the trustee in connection with the trustee's sale of the property.
- 2. A copy of the list of the persons and each of the addresses to which the complaint will be mailed.
- 3. A detailed description of any disbursements made by the trustee pursuant to this section.
- 4. A NARRATIVE DESCRIPTION OF THE LIENS AND ENCUMBRANCES AS SHOWN IN THE TRUSTEE'S SALE GUARANTEE, TITLE REPORT OR DETAILED DESCRIPTION, INCLUDING AN ANALYSIS OF THE APPARENT PRIORITY OF POTENTIAL CLAIMANTS. THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR IN THE NARRATIVE DESCRIPTION OR ANALYSIS.
- E. The trustee may withhold from the proceeds of the sale a reasonable trustee's fee and reasonable attorney fees actually incurred and the costs of filing the complaint, depositing the proceeds and mailing the notices.
- θ . F. Upon filing the complaint, the trustee as plaintiff is discharged without prejudice from the proceedings.
- E. G. Any person with a recorded or other legal interest in the property at the time of the sale may apply for the release of the proceeds by filing an application for distribution in the civil action that was filed by the trustee pursuant to subsection C D of this section. The applicant shall mail postage prepaid by any form of mail that requires a signed and returned receipt a copy of the application to the county treasurer and all persons at each of the addresses named on the list of persons that is incorporated in or attached to the complaint. On return of the signed receipt or the undelivered or unclaimed original envelope, the applicant shall file with the court an affidavit that states that the application was mailed to the person and that the application was either:

- 6 -

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18 19

20

21

22

23 24

25 26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

- 1. Received, as evidenced by the receipt. The applicant shall attach to the affidavit a copy of the receipt.
- 2. Not received, as evidenced by the original returned envelope. The applicant shall attach to the affidavit A COPY OF the original unopened and undelivered or unclaimed returned envelope.
- F. H. Any person who receives the application or who claims a right to the proceeds may file a response to the application within thirty days of the mailing of the application. The person filing a response shall mail a copy of the response to each applicant. Within ten calendar days from the date the response is mailed, an applicant may file with the clerk and mail to each respondent a reply to the response. On expiration of the time for filing a reply, an applicant shall provide the court with postage prepaid business envelopes that are addressed to all persons who are entitled to receive copies of the complaint pursuant to subsection C— D of this section. If AN ASSOCIATION WITH A CLAIM IS NOT PAID BY THE TRUSTEE PURSUANT TO SUBSECTION A, PARAGRAPH 4 OF THIS SECTION AND IS REQUIRED TO FILE AN APPLICATION OR RESPONSE PURSUANT TO THIS SUBSECTION IN ORDER TO RECOVER PROCEEDS, THE ASSOCIATION MAY REQUEST FROM THE EXCESS PROCEEDS OF THE SALE AN AWARD OF ITS REASONABLE ATTORNEY FEES AND COSTS INCURRED.
- G. I. Except as provided in subsection J L of this section, the court shall issue an order to the county treasurer to release the proceeds deposited with the county treasurer to the party entitled to receive them after applying the priorities prescribed by subsection A of this section. On notice to all persons who have received a copy of the complaint or who have filed a responsive pleading, the court may, and if there are competing claims to the proceeds, the court shall, hold a hearing to determine entitlement to the proceeds. EVERY APPLICANT OR RESPONDENT SHALL ACKNOWLEDGE THE EXISTENCE OF ANY APPARENT LIEN, ENCUMBRANCE OR INTEREST THAT COULD HAVE PRIORITY OVER THE APPLICANT OR RESPONDENT. If the court finds that a person other than an applicant or respondent has a superior right to receive the proceeds, the court shall not issue an order on the proceeds until one hundred eighty days from the date the complaint was filed. At any time before the expiration of the one hundred eighty day period, an applicant or respondent may move for a hearing to determine whether the claimed superior right is valid or enforceable and whether the claim is entitled to receive priority over the claim of the applicant or respondent. The motion shall set forth the specific facts and evidence that support the applicant's or respondent's position and shall be mailed to all persons who have received a copy of the complaint or filed a responsive pleading. If a response is not filed within the one hundred eighty day period by the person found by the court to have a superior right to receive the proceeds, the court shall enter an order in favor of any applicant or respondent entitled to the proceeds. On release of the proceeds, the county treasurer may assess and deduct from the proceeds a reasonable fee not to exceed one hundred dollars for the treasurer's costs associated with the civil action.

- 7 -

- H. J. Within ninety days after completion of the sale, the trustee shall apply the proceeds of the sale pursuant to subsection A of this section or shall deposit the proceeds with the treasurer pursuant to subsection B— C of this section. If the trustee fails to comply with this subsection, the trustee forfeits any entitlement to the fees and costs prescribed in subsection G— D of this section and shall pay interest at the rate provided for judgments pursuant to section 44-1201 from the date of completion of the sale until the trustee complies with this subsection. Any person with a recorded or other legal interest in the property at the time of the sale may commence a civil action against the trustee for the trustee's failure to comply with this subsection. The court may award the prevailing party its reasonable attorney fees AND COSTS incurred in that civil action.
- $\frac{1}{1}$ K. Excess proceeds deposited with the county treasurer pursuant to subsection $\frac{1}{1}$ C of this section are presumed abandoned if the monies remain with the treasurer for at least three years from the date of deposit and there is no pending application for distribution.
- J. L. Excess proceeds that are fifty dollars or less and that are presumed abandoned under this section shall be transferred to the county general fund. No further application for distribution by any applicant or claim by the department of revenue may be made on these monies.
- K. M. For all excess proceeds that are greater than fifty dollars and that are presumed abandoned under this section, the county treasurer shall submit a report to the department of revenue pursuant to section 44-307. The county treasurer may assess and deduct from the proceeds a reasonable fee of not more than fifty dollars for the treasurer's costs associated with reporting each deposit.
- E. N. The county treasurer shall be discharged from all claims and responsibility for acts performed in good faith pursuant to this chapter after remitting the presumed abandoned excess proceeds to the department of revenue pursuant to section 44-308.
- O. A CLAIMANT MAY ENTER INTO AN AGREEMENT WITH A THIRD PARTY TO PAY FOR THE RECOVERY OF OR FOR ASSISTANCE IN THE RECOVERY OF EXCESS PROCEEDS ON DEPOSIT WITH THE COUNTY TREASURER. THE AGREEMENT SHALL BE IN WRITING, SIGNED BY THE CLAIMANT, AND THE CLAIMANT'S SIGNATURE SHALL BE ACKNOWLEDGED BY A NOTARY PUBLIC OR OTHER PERSON AUTHORIZED TO ACCEPT AN ACKNOWLEDGMENT PURSUANT TO SECTION 33-511. ANY AGREEMENT ENTERED INTO BEFORE THE EXPIRATION OF THIRTY DAYS AFTER THE DATE THE TRUSTEE'S SALE WAS HELD, BUT NOT INCLUDING THE DATE OF THE SALE, IS VOID AND UNENFORCEABLE. ANY FEE OR PAYMENT PROVIDED FOR IN AN AGREEMENT SHALL BE REASONABLE. THE FEE OR PAYMENT SHALL BE PRESUMED TO BE UNREASONABLE AND THE OBLIGATION TO PAY THE FEE OR PAYMENT IS UNENFORCEABLE IF THE FEE OR PAYMENT AGREED ON EXCEEDS TWO THOUSAND FIVE HUNDRED DOLLARS EXCLUDING ATTORNEY FEES AND THE COSTS OF FILING THE CLAIM AND PROVIDING THE STATUTORILY REQUIRED NOTICES. ANY PERSON SEEKING A FEE OR PAYMENT EXCEEDING TWO THOUSAND FIVE HUNDRED DOLLARS MAY APPLY TO THE COURT FOR ADDITIONAL COMPENSATION BUT THE PERSON HAS THE BURDEN OF ESTABLISHING THAT THE

- 8 -

1 ADDITIONAL COMPENSATION IS REASONABLE UNDER THE CIRCUMSTANCES. THIS

SUBSECTION DOES NOT PRECLUDE A CLAIMANT FROM CONTESTING THE REASONABLENESS OF

3 ANY FEE OR PAYMENT THAT IS PROVIDED FOR IN AN AGREEMENT FOR THE RECOVERY OF

OR FOR ASSISTANCE IN THE RECOVERY OF EXCESS PROCEEDS.

APPROVED BY THE GOVERNOR APRIL 11, 2005.

FIGED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 11, 2005.

•	
Passed the House April 4, 2005,	Passed the Senate March 2, 20 057,
by the following vote: 47 Ayes,	by the following vote: 23 Ayes,
Nays, 5 Not Voting	Nays, Not Voting
Speaker of the House	President of the Senate
Sprman L. Hove Chief Clerk of the House	Charrie Bouton Secretary of the Senate
OFFICE OF This Bill was received	TMENT OF ARIZONA GOVERNOR by the Governor this
54-h day of ((phi), 20 <u>05</u>
at <u>0'.15</u>	o'clock
Vennige	Secretary to the Governor
Approved this day of	
April , 2005,	
at /0 o'clock /. M.	
Governor of Arizona	
	EXECUTIVE DEPARTMENT OF ARIZONA OFFICE OF SECRETARY OF STATE
	This Bill was received by the Secretary of State
S.B. 1255	this 11 day of Opnil, 2005
	at 1.35 o'clock P. M.
	Janice K. Brewer
	Secretary of State